

NOTES TAKEN - BY KATE TAYLOR

CENCO teleconference, Oct. 13, 1999, 1:00 p.m.

SFUND RECORDS CTR
2217375

John Cermak, June Christman, Marshall Stockman, Goff Soares
Harrison Karr, Kathy Steuer, Dave Isola
Cliff Davis

Recap - Cermak

10-7-99 Harrison left voice message

No extension under CP-S

Cermak left msg asking delay of letter

10-12-99 Harrison - Cermak discussion by telephone

continued efforts to get insurance funds

CENCO appreciates EPA's difficult position
+ 1.5 million

-

Need to attract private financing

Insurance - Dave Isola.

- Negotiations with insurers

Highlands (1972-1973) Single primary general liability insurance. Has \$500,000 offer on table. Counteroffer went out last week. Expect at least \$550 K.

National Union Fire Ins (AIG) (1983-84)

More complex negotiation, more \$. Asbestos, toxic tort losses complicate. In last few months, much progress. They'll provide number by end October, can agree by end of November.

Probably can pay by mid/late Jan 2000

Asking for substantially more than \$550 K, closer to seven figures

There are other insurance policies w/potential.

Lloyds of London Tied up in litigation

ACE USA (Aqna) All but one 60-66 have pollution excl.

Seven Provinces Ins. Co early stages

In case they'll entertain settlement discussions.

Lloyd's - no exclusion
50-61 no exclusion
remaining uninsured
13-16 have excl.

will elevate as far as
California Supreme Court

Ex. 5 - Delib. Process/Attorney Client

Harrison: ? Prospects for remaining ^{oil} ~~WDR~~ ≠ WDI liability.

G. Soares: High yield mkt effort to raise \$. 2 problems

- Start up Transamerican Refining has taken \$1.5 billion, bonds defaulted. In this market career risk issue arose.
- Interest rates ↑ .75%.
As interest rates ↑ bond rates ↓. Down market.

Forms of financing
① Bank-risk
Subordinated debt. ~~Borrower~~ Promissory note.
② stocks
WDR collected no \$ for this effort, working w/ Bain Capital. Their concern: small refinery. CENCO impressed, convinced them 80% of costs is crude cost, can overcome size advantage.

WDR working w/its parent to get bank financing.

Also: working w/another bank on West coast. Knowledgeable, familiar w/refinery & the industry. Working on due diligence

Report - 2 wks

4 wks

Get funding - 3 mos.
chance to close deal in December

Just construction risk.
No question about profitability.

There's another investment bank interested. But hasn't put up \$.

In 5th month of engineering at the refinery.

~~XXXXXX XXXXXXXX XXXXXXXX XXXXXXXX~~

Asset purchase agreement: Powerline retains responsibility for off-site environmental liability.

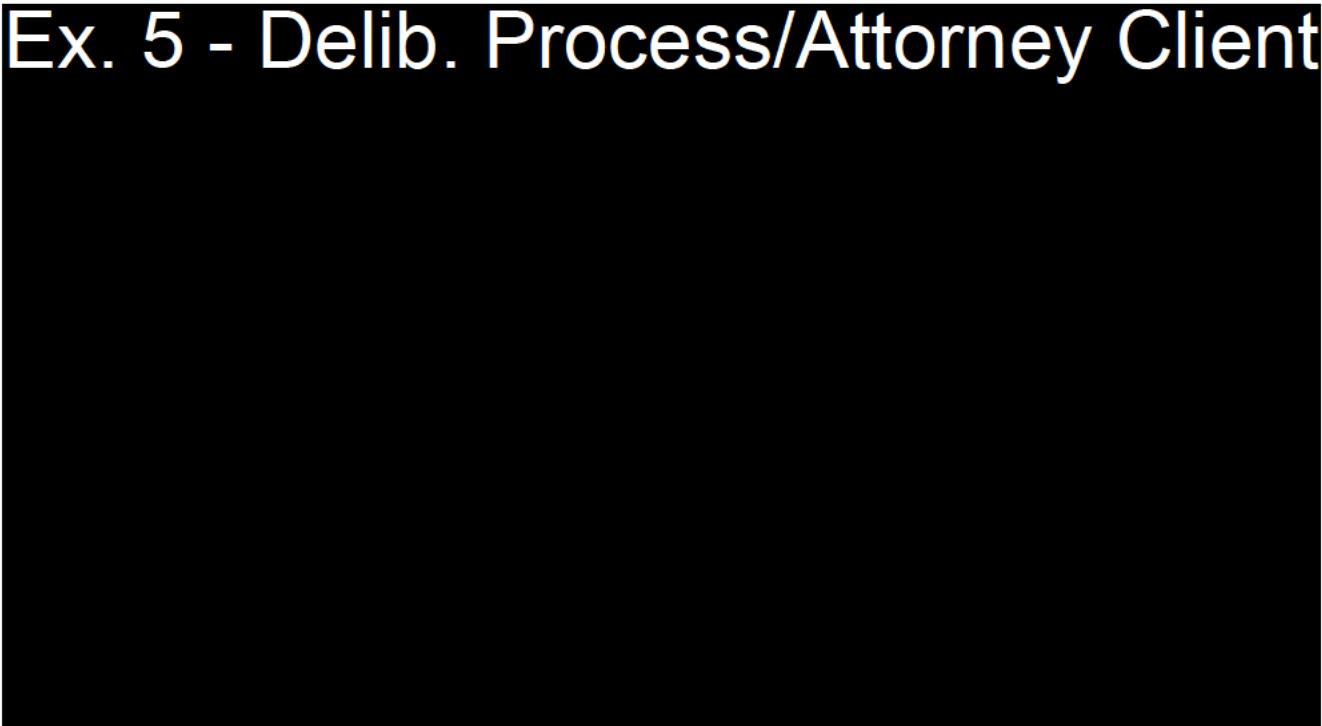
^{CENCO} has been using some proceeds from insurance for \$1.6 million liability.

CENCO is aware that policies w/o pollution exclusion were in effect during the period Powerine sent waste to WDI. Kathy posits that insurance proceeds as well as operating costs S/B used for WDI liability.

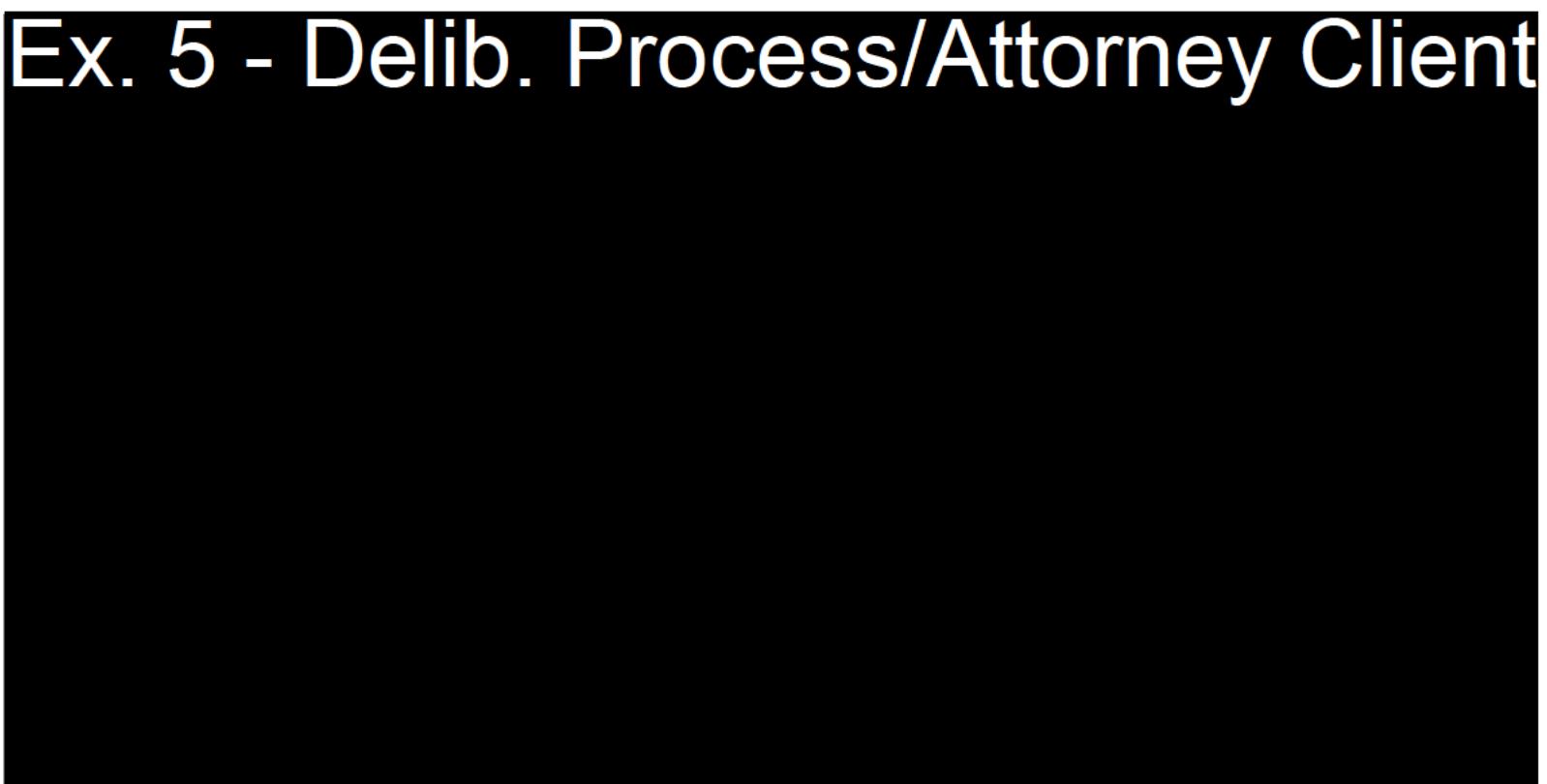
END of conference call

EPA team discussion ensued -

Ex. 5 - Delib. Process/Attorney Client



Ex. 5 - Delib. Process/Attorney Client



10-14-99 Teleconference -

Chuck Fuentes Chief of Staff (CF)

Harrison Karr (HK)

Daniel Crow (DC)

Deirdre Nurre (DN)

Melody Koepenick (MK)

Kate Taylor (KT)

Congw. Napolitano (CN) joined the meeting midway through.

HK: Background on Powerine -

Entered into settlement for cash payment \$1.5 million due in 1996. Plans to sell refinery to India; reversed. Agreements for extensions. 1998: CENCO bought assets from Powerine for ~\$15 mm, continued extensions while CENCO tries to restart.

EPA: \$14.7 mm should have been paid @ conclusion of asset sale. Potential financing sources:

- Bond financing
- Insurance coverage

Both Powerine and CENCO are still liable

Yesterday's conference call: Agreed to another 60-day extension to come up with remaining \$1.1 mm. Half expected in 45 days; balance in Jan(?) 2000. Source: insurance proceeds. But EPA still has concerns.

Cannot extend pmt due dates & simultaneous pursue (enforcement action) with Powerine.

We're EPA FF -- no connection with air permit issue.

CF: Ball's in their court. Will monitor them. They have time to pull together.

HK: EPA has given them every opportunity to make a go of it.

CF: Appreciate ^{EPA's} their willingness to grant extension. Just have to wait and see. Appreciates exposure of EPA

HK: Letter to Powerine notifying that we consider their actions constructive fraud against creditors. Powerine is the entity with direct liability (per agmt w/EPA)

CF: Is there possibility of nullifying indemnification?

HK: No need to. Does not affect original liability, claim against Powerine.

Learned of asset sale after the \$15 mm had already changed hands.

(Congw. Napolitano entered)

CN: CENCO was duped into the indemnity agmt.
They've lived up to their promises

HK: On other hand, CENCO may have been more aware and had good information. But @ point now where govt's interests are being compromised.
not so naive.
Not just an issue that CENCO can't pay, but \$ that Powerine got SHOULD be available. We may be losing our opportunity to pursue Powerine.

CN: Concern: loss of 300 jobs. They've invested \$30 mm.
Be sure to give them every opportunity since they've come this far.

HK: If CENCO comes through on CP-S judgement, longer time frame for other OII & WPI liabilities. There are possible different About \$11 million. pmt scheme options

CN: Let us know if we can help.